GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:1482
ANSWERED ON:27.11.2002
PROBLEMS OF CELLULAR COMPANIES
VSM (RETD.) COL. CHOUDHARY

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether the attention of the Government have been drawn to the news-item captioned `Cellular Companies urge TRAI to lower costs` appearing in the Times of India dated August 20, 2002;

(b) if so, the facts of the matter reported therein;

(c) whether Government are considering to bring down industry costs so that Mobile phone users can enjoy even cheaper services;

(d) if so, by when Government propose to bring down industry costs; and

(e) if not, reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY(SHRIMATI S MAHAJAN)

(a) Yes, Sir.

(b) to (e) : The news-item has brought out issues about high costs of revenue share, interconnect regime, spectrum charges and taxation as perceived by the Cellular Service Industry. The fact of the matter is that the Government has given a number of incentives from time to time to bring down the operational and infrastructure costs for Cellular Mobile Telephone Service. Some of the incentives granted are as follows :

(i) The Cellular Operators were migrated from a fixed licence fee regime, which was committed by them while bidding in the tender process for obtaining the licences, to a regime of licence fee as revenue share effective from 1.8.1999. The licence fee has been fixed after obtaining recommendations of Telecom Regulatory Authority of India as 12%, 10% and 8% for category `A`, `B` & `C` Service Areas respectively, apart from the charges for use of frequency spectrum. This has brought down the burden of licence fee substantially on the cellular operators for the present.

(ii) Import of mobile phones has been allowed at basic custom duty of 10% with Nil CVD (Counter-vailing Duty). The effective custom duty on cellular mobile phones has been reduced this year from 26.6% to 14.4%.

(iii) Import of infrastructure equipment has been allowed at concessional rate of custom duty of 5%.

(iv) Various incentives are available under Income Tax Act which includes tax holiday under Section 80-1A.